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SUBJECT: CROATIAN PRESIDENTIAL HOPEFUL DISCUSSES ECONOMY,
BOSNIA

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¶1. (SBU) Summary. In a courtesy call on October 27, Croatian Chamber of Commerce President and independent presidential candidate Nadan Vidosevic told the Ambassador that the time has come to speak of Croatia's future in economic terms. He said he was uniquely qualified as an economist and businessman to send the political signals from the top that would get Croatia moving forward. He spoke positively of Prime Minister Jadranka Kosor's attempts to stimulate the economy and fight corruption. On Bosnia, Vidosevic criticized the U.S. approach on constitutional reform, and said Bosnia needed an arrangement similar to that of the Swiss confederation. Such a confederation would include "units" that resembled the Swiss cantons, rather than "entities", (implying there should be a Croatian unit as well). End summary.

¶2. (U) Nadan Vidosevic, long time head of the Chamber of Economy (HGK) and CEO of Croatia's largest candy company, was expelled from the HDZ party this summer after declaring his candidacy for president, in competition with the HDZ's official candidate, Andrija Hebrang. He has been an outspoken critic of government economic policy, stating on numerous occasions that Croatia faces deep structural problems that will require a long recovery. Vidosevic is currently running second in most polls behind SDP candidate Ivo Josipovic.

¶3. (U) Vidosevic told the ambassador that his decision to run was based on his belief that Croatia was at an economic crossroads, and that having an experienced economist as president could help guide the country towards creating a self-sustaining economy. (NOTE: Josipovic is a legal scholar with no business background.) He praised current Prime Minister Kosor for doing a good job at stopping what he called "economic populism", i.e. the constant attempts by interest groups to squeeze more and more money out of the budget. But he doesn't think she has done enough to get the government moving forward on real priorities. He said corruption continues to be the biggest problem in the country. He gives Kosor credit for new aggressiveness in battling corruption, which he described as a chance to change political values in the country (see reftel for recent anti-corruption developments).

¶4. (SBU) On Bosnia, Vidosevic argued the current approach will not succeed. While he said he understands the United States' reasons for continuing to support the Dayton Agreement, he sees success for Bosnia only in a Swiss-type confederation of "units", not "entities". A new political arrangement along these lines would work under three conditions: 1) that international financing be made available to connect the country's transport infrastructure; 2) that multi-lateral lenders such as EBRD organize capital for potential private investors; and 3) that Bosnia receive support for its technical education system, which suffered tremendous brain-drain during the war years such that there is a shortage of a skilled workforce. He believes Tihic,

Covic, and even Dodik (with pressure) are ready to speak about such possibilities realistically. He told the ambassador that if elected president, he would immediately go to Serbia for discussions with Boris Tadic on this issue. The Ambassador underscored the sharp policy differences between Vidosevic and the U.S. on Bosnia.

15. (SBU) COMMENT: Vidosevic has a shot at winning the election, but he has a tough road ahead against Josipovic, who has the SDP party apparatus behind him, and Zagreb mayor Milan Bandic, who is a skilled campaigner and reportedly a close friend of Ninoslav Pavic, owner of Croatia's largest media conglomerate Europapress Holding. He is clearly counting on voters to be fed up with Croatia's stagnant economy, crony capitalism, and the bitter infighting of what Vidosevic calls Croatia's "Party-ocracy". END COMMENT.

FOLEY